

**CITY OF VICTORIA, KANSAS**  
Victoria, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2007

**CITY OF VICTORIA, KANSAS**  
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2007

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**CITY OF VICTORIA, KANSAS**  
**Summary of Cash Receipts, Expenditures, and Unencumbered Cash**  
**For the Year Ended December 31, 2007**

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Funds</b>							
<b>General Fund</b>	\$ 197,575	-	388,848	339,656	246,767	10,601	257,368
<b>Special Revenue Funds</b>							
Employee Benefit	6,882	-	56,145	55,741	7,286	-	7,286
Special Highway	43,868	-	43,018	79,824	7,062	1,410	8,472
Special Machinery	54,919	-	8,772	-	63,691	-	63,691
Special Park & Recreation	7,718	-	357	212	7,863	-	7,863
Equipment Reserve	100,248	-	42,000	30,000	112,248	-	112,248
Capital Improvements	73,041	-	32,000	-	105,041	-	105,041
<b>Debt Service Fund</b>							
Bond and Interest	18,900	-	60,102	57,300	21,702	-	21,702
<b>Proprietary Fund</b>							
<b>Enterprise Funds</b>							
Water Utility	44,525	-	128,674	142,056	31,143	2,334	33,477
Sewer Utility	173,760	-	115,700	131,761	157,699	1,832	159,531
Refuse Utility	54,945	-	93,797	105,248	43,494	1,793	45,287
<b>Total Reporting Entity</b>	\$ 776,381	-	969,413	941,798	803,996	17,970	821,966

**Composition of Cash:**

<b>Checking Accounts</b>	
Sunflower Bank	\$ 653,447
Gorham State Bank	168,519
<b>Total Reporting Entity</b>	<u>\$ 821,966</u>

**CITY OF VICTORIA, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2007

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
<b>Governmental Funds</b>					
General Fund	\$ 411,420	-	411,420	339,656	71,764
Special Revenue Funds					
Employee Benefit	61,111	-	61,111	55,741	5,370
Special Highway	94,150	-	94,150	79,824	14,326
Special Park & Recreation	7,107	-	7,107	212	6,895
Debt Service Fund					
Bond and Interest	67,345	-	67,345	57,300	10,045
Proprietary Fund					
Enterprise Funds					
Water Utility	186,576	-	186,576	142,056	44,520
Sewer Utility	154,097	-	154,097	131,761	22,336
Refuse Utility	106,719	3,797	110,516	105,248	5,268
<b>Totals</b>	<b>\$ 1,088,525</b>	<b>3,797</b>	<b>1,092,322</b>	<b>911,798</b>	<b>180,524</b>

The notes to the financial statements are an integral part of this statement.

## CITY OF VICTORIA, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 222,811	247,510	250,727	(3,217)
Delinquent	887	1,720	-	1,720
Motor Vehicle	40,050	42,409	38,142	4,267
<b>Total Taxes</b>	<u>263,748</u>	<u>291,639</u>	<u>288,869</u>	<u>2,770</u>
<b>Intergovernmental</b>				
Local Alcoholic Liquor Tax	1,186	357	1,460	(1,103)
<b>Licenses and Permits</b>				
Zoning Fees	425	360	-	360
Franchise Fees	52,471	54,406	25,000	29,406
Licenses and Permits	4,150	4,048	3,000	1,048
<b>Total Licenses and Permits</b>	<u>57,046</u>	<u>58,814</u>	<u>28,000</u>	<u>30,814</u>
<b>Fines and Forfeitures</b>				
Fines	1,182	1,000	1,000	-
<b>Use of Money and Property</b>				
Interest	25,001	24,852	4,500	20,352
Swimming Pool	4,736	4,970	3,500	1,470
<b>Total Use of Money and Property</b>	<u>29,737</u>	<u>29,822</u>	<u>8,000</u>	<u>21,822</u>
<b>Miscellaneous</b>	26,997	7,216	-	7,216
<b>Total Cash Receipts</b>	<u>\$ 379,896</u>	<u>388,848</u>	<u>327,329</u>	<u>61,519</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF VICTORIA, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Expenditures</b>				
<b>General Government</b>				
Personal Services	\$ 22,250	24,123	24,000	(123)
Commodities	6,636	6,458	22,000	15,542
Contractual Services	27,944	19,095	10,000	(9,095)
Capital Outlay	3,500	4,616	4,000	(616)
<b>Total General Government</b>	<b>60,330</b>	<b>54,292</b>	<b>60,000</b>	<b>5,708</b>
<b>Police Department</b>				
Personal Services	101,533	96,466	95,000	(1,466)
Commodities	9,602	6,785	10,000	3,215
Contractual Services	6,742	7,120	10,000	2,880
Capital Outlay	-	1,739	5,000	3,261
<b>Total Police Department</b>	<b>117,877</b>	<b>112,110</b>	<b>120,000</b>	<b>7,890</b>
<b>Fire Department</b>				
Personal Services	7,970	8,970	10,500	1,530
Commodities	5,090	7,734	5,000	(2,734)
Contractual Services	3,724	4,416	5,000	584
Capital Outlay	3,797	-	7,000	7,000
<b>Total Fire Department</b>	<b>20,581</b>	<b>21,120</b>	<b>27,500</b>	<b>6,380</b>
<b>Park Department</b>				
Personal Services	16,514	13,394	18,000	4,606
Commodities	1,896	1,772	2,000	228
Contractual Services	799	847	1,000	153
Capital Outlay	239	-	1,500	1,500
<b>Total Park Department</b>	<b>19,448</b>	<b>16,013</b>	<b>22,500</b>	<b>6,487</b>
<b>Street Department</b>				
Personal Services	573	2,099	13,260	11,161
Commodities	1	-	6,000	6,000
Contractual Services	1,507	170	6,000	5,830
<b>Total Street Department</b>	<b>2,081</b>	<b>2,269</b>	<b>25,260</b>	<b>22,991</b>
<b>Totals Carried Forward</b>	<b>\$ 220,317</b>	<b>205,804</b>	<b>255,260</b>	<b>49,456</b>

The notes to the financial statements are an integral part of this statement.

## CITY OF VICTORIA, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Totals Brought Forward</b>	\$ 220,317	205,804	255,260	49,456
<b>Street Lighting</b>				
Contractual Services	18,071	17,824	22,000	4,176
<b>Pool Department</b>				
Personal Services	12,288	12,701	16,000	3,299
Commodities	8,206	6,440	2,500	(3,940)
Contractual Services	2,901	1,011	5,000	3,989
Capital Outlay	2,272	-	5,000	5,000
<b>Total Pool Department</b>	25,667	20,152	28,500	8,348
<b>Planning Commission</b>				
Personal Services	1,254	1,433	2,060	627
Commodities	-	121	1,500	1,379
Contractual Services	546	757	100	(657)
<b>Total Planning Commission</b>	1,800	2,311	3,660	1,349
<b>Victoria Health Facility</b>	6,825	17,565	26,000	8,435
<b>Herzogfest</b>	1,000	1,000	1,000	-
<b>Industrial Development</b>	1,000	1,000	1,000	-
<b>Transfers Out</b>	54,000	74,000	74,000	-
<b>Total Expenditures</b>	328,680	339,656	411,420	71,764
<b>Receipts Over (Under) Expenditures</b>	51,216	49,192		
<b>Unencumbered Cash, January 1</b>	146,359	197,575		
<b>Unencumbered Cash, December 31</b>	\$ 197,575	246,767		

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Employee Benefit Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 48,482	47,444	48,060	(616)
Delinquent	158	349	-	349
Motor Vehicle	7,384	8,352	8,300	52
<b>Total Cash Receipts</b>	56,024	56,145	56,360	(215)
<b>Expenditures</b>				
Personal Services	55,791	55,741	61,111	5,370
<b>Receipts Over (Under) Expenditures</b>	233	404		
<b>Unencumbered Cash, January 1</b>	6,649	6,882		
<b>Unencumbered Cash, December 31</b>	\$ 6,882	7,286		

The notes to the financial statements are an integral part of this statement.



**CITY OF VICTORIA, KANSAS**  
**Special Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
<b>Cash Receipts</b>				
<b>Intergovernmental</b>				
State Gasoline Tax	\$ 33,753	34,244	35,090	(846)
Reimbursements	5,394	8,774	-	8,774
<b>Total Cash Receipts</b>	39,147	43,018	35,090	7,928
<b>Expenditures</b>				
Personal Services	16,572	21,849	15,000	(6,849)
Commodities	8,230	10,012	15,000	4,988
Contractual Services	21,640	3,793	20,000	16,207
Capital Outlay	12,657	35,398	35,378	(20)
Transfers Out	8,810	8,772	8,772	-
<b>Total Expenditures</b>	67,909	79,824	94,150	14,326
<b>Receipts Over (Under) Expenditures</b>	(28,762)	(36,806)		
<b>Unencumbered Cash, January 1</b>	72,630	43,868		
<b>Unencumbered Cash, December 31</b>	\$ 43,868	7,062		

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Special Machinery Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 8,810	8,772
<b>Expenditures</b>		
Capital Outlay	-	-
<b>Receipts Over (Under) Expenditures</b>	8,810	8,772
<b>Unencumbered Cash, January 1</b>	46,109	54,919
<b>Unencumbered Cash, December 31</b>	\$ 54,919	63,691

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Special Park & Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Intergovernmental</b>				
Local Alcoholic Liquor Tax	\$ 1,186	357	1,460	(1,103)
Donations	100	-	-	-
<b>Total Cash Receipts</b>	1,286	357	1,460	(1,103)
<b>Expenditures</b>				
Capital Outlay	-	212	7,107	6,895
<b>Total Expenditures</b>	-	212	7,107	6,895
<b>Receipts Over (Under) Expenditures</b>	1,286	145		
<b>Unencumbered Cash, January 1</b>	6,432	7,718		
<b>Unencumbered Cash, December 31</b>	\$ 7,718	7,863		

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Equipment Reserve Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 32,000	42,000
<b>Cash Expenditures</b>		
Capital Outlay	7,052	30,000
<b>Receipts Over (Under) Expenditures</b>	24,948	12,000
<b>Unencumbered Cash, January 1</b>	75,300	100,248
<b>Unencumbered Cash, December 31</b>	\$ 100,248	112,248

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Capital Improvements Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2007  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 22,000	32,000
<b>Expenditures</b>		
Capital Outlay	2,186	-
<b>Receipts Over (Under) Expenditures</b>	19,814	32,000
<b>Unencumbered Cash, January 1</b>	53,227	73,041
<b>Unencumbered Cash, December 31</b>	\$ 73,041	105,041

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem	\$ 39,056	37,917	38,411	(494)
Delinquent	240	280	-	280
Motor Vehicle	11,128	8,757	6,684	2,073
Special Assessments	10,364	10,387	8,485	1,902
Interest	2,778	2,761	-	2,761
<b>Total Cash Receipts</b>	<u>63,566</u>	<u>60,102</u>	<u>53,580</u>	<u>6,522</u>
<b>Expenditures</b>				
Principal	30,000	30,000	30,000	-
Interest	28,915	27,295	27,295	-
Commission Fees	5	5	50	45
Cash Basis Reserve	-	-	10,000	10,000
<b>Total Expenditures</b>	<u>58,920</u>	<u>57,300</u>	<u>67,345</u>	<u>10,045</u>
<b>Receipts Over (Under) Expenditures</b>	4,646	2,802		
<b>Unencumbered Cash, January 1</b>	<u>14,254</u>	<u>18,900</u>		
<b>Unencumbered Cash, December 31</b>	<u>\$ 18,900</u>	<u>21,702</u>		

The notes to the financial statements are an integral part of this statement.

## CITY OF VICTORIA, KANSAS

## Water Utility Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Water Sales	\$ 89,833	99,174	91,500	7,674
Special Assessments	16,975	17,013	17,000	13
Water Taps	225	-	500	(500)
Late Charges	3,142	2,473	1,000	1,473
Interest	2,912	5,787	1,000	4,787
Water Protection Fee	1,676	1,185	1,200	(15)
Miscellaneous	3,198	3,042	-	3,042
<b>Total Cash Receipts</b>	<b>117,961</b>	<b>128,674</b>	<b>112,200</b>	<b>16,474</b>
<b>Expenditures</b>				
Personal Services	63,586	57,472	70,000	12,528
Commodities	63,454	50,084	20,000	(30,084)
Contractual Services	28,572	29,725	10,000	(19,725)
Capital Outlay	-	4,775	86,576	81,801
<b>Total Expenditures</b>	<b>155,612</b>	<b>142,056</b>	<b>186,576</b>	<b>44,520</b>
<b>Receipts Over (Under) Expenditures</b>	<b>(37,651)</b>	<b>(13,382)</b>		
<b>Unencumbered Cash, January 1</b>	<b>82,176</b>	<b>44,525</b>		
<b>Unencumbered Cash, December 31</b>	<b>\$ 44,525</b>	<b>31,143</b>		

The notes to the financial statements are an integral part of this statement.

## CITY OF VICTORIA, KANSAS

## Sewer Utility Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Sewer Service Charges	\$ 118,622	115,700	125,000	(9,300)
<b>Expenditures</b>				
Personal Services	31,941	34,368	35,000	632
Commodities	20,194	15,080	10,000	(5,080)
Contractual Services	3,637	6,228	20,000	13,772
Capital Outlay	-	4,775	17,787	13,012
Revolving Loan Principal	41,298	42,710	42,710	-
Revolving Loan Interest	27,799	26,491	26,491	-
Revolving Loan Service Fees	2,213	2,109	2,109	-
<b>Total Expenditures</b>	127,082	131,761	154,097	22,336
<b>Receipts Over (Under) Expenditures</b>	(8,460)	(16,061)		
<b>Unencumbered Cash, January 1</b>	182,220	173,760		
<b>Unencumbered Cash, December 31</b>	\$ 173,760	157,699		

The notes to the financial statements are an integral part of this statement.



**CITY OF VICTORIA, KANSAS**  
**Refuse Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2007  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Refuse Charges	\$ 93,930	93,797	90,000	3,797
<b>Expenditures</b>				
Personal Services	35,703	35,389	40,000	4,611
Commodities	4,430	9,441	5,000	(4,441)
Contractual Services	61,253	60,418	23,207	(37,211)
Capital Outlay	-	-	34,715	34,715
(a) Budget Credit	-	-	3,797	3,797
<b>Total Expenditures</b>	101,386	105,248	106,719	1,471
<b>Receipts Over (Under) Expenditures</b>	(7,456)	(11,451)		
<b>Unencumbered Cash, January 1</b>	62,401	54,945		
<b>Unencumbered Cash, December 31</b>	\$ 54,945	43,494		
<b>(a) Budget Credit</b>				
Excess Refuse Charges Over Amount Budgeted		\$ 3,797		

The notes to the financial statements are an integral part of this statement.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**1. Summary of Significant Accounting Policies**

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

**A. Financial Reporting Entity**

The **City of Victoria, Kansas** was incorporated under the provisions of the State of Kansas. The governing body consists of an elected mayor and five elected council members. The City provides the following services: public safety (police and fire), streets, culture and recreation, public improvements, sanitation, water utility, and general administrative services. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The **City of Victoria, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The City has no separate legal component units that are controlled or dependent on the City.

**B. Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year of 2007:

**Governmental Funds**

**General Fund** – To report as the primary fund of the City and to account for all financial resources not reported in other funds.

**Special Revenue Funds** - To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

**Debt Service Fund** - To account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

**Proprietary Fund**

**Enterprise Funds** - To account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**C. Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**D. Departure from Accounting Principles Generally Accepted in the United States**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservation of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

**E. Accounting for Capital Assets and Depreciation**

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

**F. Accounting for Long-Term Liabilities**

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**G. Budgets**

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds and the following special revenue funds:

Special Machinery  
Equipment Reserve  
Capital Improvements

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**H. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**I. Deposits**

The City follows the practice of pooling cash of all funds. Each fund's portion of total cash is summarized by fund type in the Summary of Cash Receipts, Cash Disbursements, and Unencumbered Cash.

As of December 31, 2007, the City had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City had no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2007. All deposits were legally secured at December 31, 2007.

At December 31, 2007, the City's carrying amount of deposits was \$821,966 and the bank balance was \$840,948. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$257,601 was covered by federal depository insurance and \$586,347 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

**J. Property Tax Calendar**

Property taxes are collected and remitted to the City by the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major property tax payments are received January through July and are recognized as revenue in the year received.

**K. Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods, are recorded as expenditures during the year of purchase as required by state statutes.

**L. Special Assessments**

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

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**M. Compensated Absences**

The City's policy regarding vacations is that an employee must work for a period of one year before any vacation is accumulated at which time the employee is then allowed ten working days. After ten years, one day is accumulated for each year of service up to a maximum of twenty days. As of December 31, 2007 the maximum potential liability for accrued vacation is \$11,599.

The policy regarding sick leave is that an employee can accumulate 120 days of sick leave at twelve days a year. Any accumulation is canceled upon termination of employees with less than five years of service. All full-time employees who have completed five years or more of employment will be remunerated for sick leave on a graduated scale to a maximum of \$2,400 after twenty-six years of employment. As of December 31, 2007, the cost of accumulated sick leave has been calculated at \$3,840.

**N. Defined Benefit Pension Plan**

**Plan Description** - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

**Funding Policy** - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for 2007 5.31%. The City employer contributions to KPERS for the years ending December 31, 2007, 2006 and 2005 were \$9,499, \$8,544, and \$7,544, respectively, equal to the statutory required contributions for each year.

**O. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

**P. Deferred Compensation Plan**

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**P. Deferred Compensation Plan (cont.)**

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

**2. Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2007 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General	Capital Improvements	K.S.A. 12-1,118	\$ 32,000
General	Equipment Reserve	K.S.A. 12-1,117	42,000
Special Highway	Special Machinery	K.S.A. 68-589	8,772
			<u>\$ 82,772</u>

**3. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Risk Management – Claims and Judgements**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto and fidelity bond coverage.

The City has elected to obtain comprehensive and collision coverage on all City owned vehicles.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2007, the financial statements do not include liabilities for anticipated costs.

**5. Litigation**

The City is party to various legal proceedings such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

**CITY OF VICTORIA, KANSAS**  
Notes to Financial Statements  
December 31, 2007

**6. Grants and Shared Revenues**

The City participates in numerous state and federal grant programs which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

**7. Comparative Data**

Comparative data for the prior year has been presented in Statement 3 of the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**8. Long Term Debt**

The City has the following types of Long Term Debt:

**General Obligation Bonds**

The City issued general obligation bonds on May 5, 2000 in the amount of \$675,000 to finance various street improvements.

**Revolving Loan**

The City entered into a \$1,043,195 revolving loan agreement on September 14, 2002 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of a sludge basin. As of December 31, 2007, the City had an outstanding balance of \$811,536.

**Capital Leases**

The City leases two items of equipment under agreements classified as capital leases.

As of December 31, 2007, the City had the following leases:

<u>Lease Date</u>	<u>Property</u>
07/29/05	Trash Truck
06/01/07	Fire Truck

The following is a schedule by years of future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of December 31, 2007.

<u>Year Ending December 31:</u>	<u>Trash Truck</u>	<u>Fire Truck</u>
2008	\$ 10,621	26,331
2009	-	26,331
2010	-	26,331
2011	-	26,331
2012	-	26,331
Total Future Minimum Lease Payments	10,621	131,655
Less: Amount Representing Interest	(149)	(17,656)
Present Value Of Future Minimum Lease Payments	\$ 10,472	113,999

Changes in long-term liabilities for the City at December 31, 2007 and current maturities of long-term debt and interest for the next five years and five year increments through maturity are included on the next two pages.



**CITY OF VICTORIA, KANSAS**  
**Schedule of Changes in Long Term Debt**  
**For the Year Ended December 31, 2007**

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 1999A	5.1% - 6.5%	05/05/00	\$ 675,000	12/01/19	500,000	-	(30,000)	(30,000)	470,000	27,295
<b>Revolving Loan</b>										
KDHE - Sludge Basin Construction	Various	09/14/02	1,043,195	09/01/22	854,246	-	(42,710)	(42,710)	811,536	26,491
<b>Capital Lease</b>										
Trash Truck	4.25%	07/29/05	44,469	07/29/08	27,831	-	(17,359)	(17,359)	10,472	847
Fire Truck	0	06/01/07	143,999	06/01/12	-	143,999	(30,000)	113,999	113,999	-
			188,468		27,831	143,999	(47,359)	96,640	124,471	847
<b>Subtotal</b>			1,906,663		1,382,077	143,999	(120,069)	23,930	1,406,007	54,633
<b>Amount to be Provided for Compensated Absences</b>	N/A	N/A	N/A	N/A	12,633	-	2,805	2,805	15,438	-
<b>Total Long Term Debt</b>			\$ 1,906,663		1,394,710	143,999	(117,264)	26,735	1,421,445	54,633

**CITY OF VICTORIA, KANSAS**  
Schedule of Maturity of Long Term Debt  
For the Year Ended December 31, 2007

	2008	2009	2010	2011	2012	2013-2017	2018-2022	Total
<b>Principal</b>								
General Obligation Bond - Series 1999A	\$ 35,000	35,000	40,000	40,000	45,000	195,000	80,000	470,000
Revolving Loan	44,170	45,680	47,241	48,857	50,527	279,757	295,304	811,536
Capital Lease (Trash Truck)	10,472	-	-	-	-	-	-	10,472
Capital Lease (Fire Truck)	20,631	21,662	22,746	23,883	25,077	-	-	113,999
<b>Total Principal</b>	<b>110,273</b>	<b>102,342</b>	<b>109,987</b>	<b>112,740</b>	<b>120,604</b>	<b>474,757</b>	<b>375,304</b>	<b>1,406,007</b>
<b>Interest</b>								
General Obligation Bond - Series 1999A	25,675	23,750	21,825	19,785	17,725	54,284	6,900	169,944
Revolving Loan	25,138	23,740	22,293	20,797	19,250	71,129	23,700	206,047
Capital Lease (Trash Truck)	149	-	-	-	-	-	-	149
Capital Lease (Fire Truck)	5,700	4,669	3,585	2,448	1,254	-	-	17,656
<b>Total Interest</b>	<b>56,662</b>	<b>52,159</b>	<b>47,703</b>	<b>43,030</b>	<b>38,229</b>	<b>125,413</b>	<b>30,600</b>	<b>393,796</b>
<b>Total Principal and Interest</b>	<b>\$ 166,935</b>	<b>154,501</b>	<b>157,690</b>	<b>155,770</b>	<b>158,833</b>	<b>600,170</b>	<b>405,904</b>	<b>1,799,803</b>